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SUBJECT: TREASURY MINISTER SAYS NO NEW IMF STAND-BY

[11](#). (SBU) Summary: Treasury Minister Mehmet Simsek was widely reported in the press March 17 as saying that Turkey did not need a new stand-by agreement with the International Monetary Fund (IMF). Simsek said the GOT is considering other types of agreements with the IMF after the current stand-by agreement expires on May 10. IMF Deputy Resident Representative Davide Lombardo said there have been no discussions yet about post-program relations. He said the IMF was considering combining the remaining reviews and making the full USD 3 billion under the current program available, if time permits. End Summary.

[12](#). (SBU) Minister Simsek was speaking in New York at a Turkish-American Business Council meeting. He said that Turkey's economy could withstand global economic turmoil and a new IMF stand-by agreement was not needed. He added that Turkey could consider post-program monitoring or the use of a precautionary stand-by agreement. The current IMF stand-by agreement expires May [10](#). It has been an anchor for Turkey's economic success since the 2001 financial crisis, and investors are very interested in what relationship Turkey will have with the IMF after the current program expires.

[13](#). (SBU) Minister Simsek is expected to meet IMF Managing Director Dominique Strauss-Kahn on March 20 in Washington. The GOT and the IMF have not completed the seventh review under the current agreement, due to continued delays in Parliamentary adoption of the social security reform, a seventh review pre-condition.

[14](#). (SBU) We met with IMF Deputy Resident Representative Davide Lombardo on March 17. Lombardo said the IMF was aware of parliamentary delays but remained confident about GOT resolve to finally pass the Social Security Reform. Lombardo confirmed IMF and the GOT had not made any agreements about relations after the current program expires. He noted that it was important for the GOT to provide a favorable environment to attract continued international investment. Turkey's high current account deficit remains a risk, especially in an environment with record oil prices. Lombardo said the plan was for the GOT to complete two more reviews, provided they meet the relevant conditionality, and have access to the full remaining un-disbursed amount, which is just under USD 3 billion. Lombardo noted the possibility of a combination of the final reviews, although the fast-approaching deadline may not allow this to happen.

[15](#). (SBU) Comment: While we are reporting Simsek's remarks from press reports, multiple newspapers quoted him as saying no to a new stand-by. While loosening the IMF anchor may seem inadvisable in the current environment (with global financial uncertainty, a tarnished EU anchor, and deteriorating economic indicators), it tracks with GOT thinking that it does not want its hands tied on economic and fiscal policies. End comment.

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